

CHANGING YOUR INVESTMENTS

You can change how your current contributions are invested, or transfer all or part of your account balance from one investment fund to another, once a month at any time during the month. Just call *401(k) Plus Express* at 1-800-714-401k to make the change. Your investment changes will be effective on the business day you make the change, provided you make your request by 4 p.m. Eastern time. Otherwise, your change will be effective the next business day.

A NOTE ABOUT TAXES

Any investment gains accumulate *tax-deferred* as long as they remain in the plan. You pay no taxes on these investment gains until you withdraw your savings or receive a benefit payment. See page 36 for information about when you pay taxes.

DAILY VALUATION OF ACCOUNTS

Your savings plan account will be updated or "valued" every business day to reflect any changes made up to 4 p.m. Eastern time. When you call *401(k) Plus Express*, you will receive current information on your account value, based on the previous day's 4 p.m. valuation. This is important information to have if you're reallocating your savings among the investment funds or borrowing money from your account. However, it's important to be aware that daily valuation is *not* intended as a tool for you to "time the market"—that is, to change your investments from one day to the next based on market tips and hunches. Most financial experts recommend against this kind of market timing. Even small mistakes can result in significant losses. That's why the plan allows for investment changes only once a month, even though accounts are valued daily.

Loans

If you need to use your 401(k) savings while you're still working for MBNA, you can borrow money from your account, within certain limits. And when you take a loan, your repayments, *including interest*, go directly back into your account. This way, you have access to your savings while still preserving the financial security you've built.

How MANY LOANS YOU CAN HAVE

You may receive one loan per calendar year, and loans must be made at least six months apart. For example, if you receive your loan in December, you'll be eligible for a second loan the following June. You may have no more than two loans outstanding at any time.

How MUCH YOU CAN BORROW

You can borrow up to half of the balance of your account, within these guidelines:

- The minimum you can borrow is \$500 (so you must have an account balance of at least \$1,000 to receive a loan).
- By law, the maximum you can borrow is the lesser of:
 - 50% of your account balance, reduced by your current outstanding loan balance (if any); or
 - \$50,000, reduced by the highest outstanding loan balance you've had in the previous 12 months.

For example, if 50% of your account balance is \$28,000 and you have a current outstanding loan balance of \$11,000, you can borrow up to an additional \$17,000 (\$28,000 – \$11,000).

- You can determine your available loan amount and obtain a loan by calling *401(k) Plus Express* at 1-800-714-401k.

INTEREST ON YOUR LOAN

To find out the current annual interest rate for plan loans, call *401(k) Plus Express* at 1-800-714-401k. The annual interest rate for each calendar quarter is the prime interest rate as reported in *The Wall Street Journal* on the last day of the preceding calendar quarter plus 1%. Your rate will remain the same for the duration of the loan. Interest rates reflect current competitive commercial interest rates. Your loan repayments, *including the interest*, are credited to your savings plan account.

The finance charge—your cost for taking the loan—is the total amount of interest you will pay over the term of the loan.

The amount of the finance charge for each loan depends on the amount of the loan, the annual interest rate, and the repayment period. For example, if you borrow \$5,000 repayable in equal biweekly payments over five years at an annual interest rate of 9%, your finance charge for the loan will be approximately \$1,220. Thus, over the five-year term of the loan, you must repay a total of \$6,220, which represents the original loan amount of \$5,000 plus the finance charge of \$1,220.

For your further information, the finance charges for each \$1,000 you borrow are presented below for selected sample interest rates and repayment periods (assuming the loan amount is repaid in equal biweekly payments over the repayment period):

Repayment Period (Years)

| | Loan Amount =\$1,000 | 1 yr | 2 yr | 3 yr | 4 yr | 5 yr |
|----------------------------|----------------------------|------|-------|-------|-------|-------|
| Annual Interest Rate | 7% | \$37 | \$73 | \$110 | \$148 | \$187 |
| | 8% | \$42 | \$84 | \$126 | \$170 | \$215 |
| | 9% | \$47 | \$94 | \$143 | \$192 | \$244 |
| | 10% | \$53 | \$105 | \$159 | \$215 | \$273 |
| | 11% | \$58 | \$116 | \$176 | \$238 | \$302 |

You can find out the finance charge on any proposed loan amount and loan term through *401(k) Plus Express* by calling 1-800-714-401k.

REPAYING YOUR LOAN

The term, or period for repaying your loan, can be from one to five years, with one exception. If the loan is for purchasing your primary residence, you may have up to 30 years to repay the loan.

Your repayments will be deducted from your biweekly paychecks automatically. The amount of each payment depends on the loan amount, the interest rate, and the repayment period. You can prepay your loan in full at any time with no penalty. You can find out the amount of each repayment for proposed loan amounts through *401(k) Plus Express* by calling 1-800-714-401k.

If you leave MBNA when you have a loan that is outstanding, you will have 30 days to repay the outstanding loan balance and any outstanding finance charges. If you do not repay these amounts within 30 days, your account balance under the plan may be reduced by the amount of the outstanding loan. If your account balance is reduced in this manner, you will be treated as having received a taxable distribution from the plan in the amount of the reduction.

If for any reason you fail to make any payments due under the terms of the loan in a timely manner, a default will occur. In the event of a default, all remaining payments under the loan will be immediately due and payable. To the extent the loan is not repaid, your account balance may be reduced and you will be deemed to have received a taxable distribution.

HOW LOANS COME FROM YOUR ACCOUNT

The plan was designed to maximize access to your account in case of an emergency. So when you borrow from your account, the loan is taken first from the money that is least available for a withdrawal. Loans come from your account in this order:

- Your account balance of MBNA automatic 1% contributions; then
- Your before-tax account balance; then
- Your account balance of MBNA matching contributions; then
- Your rollover account balance; then
- Your after-tax account balance.

OBTAINING A LOAN

Please call *401(k) Plus Express* at 1-800-714-401k for loan information and to obtain a loan. Note that if you request a loan through *401(k) Plus Express*, the loan can only be canceled up to 4 p.m. Eastern time of the day in which you requested the loan, or 4 p.m. Eastern time of the following day if the loan request is made after 4 p.m. Eastern time. If the loan request is not canceled within this time period, the loan will be considered to have been made and will count as a loan for purposes of determining the number of loans you have outstanding and have requested in the previous six-month period.

SPECIAL SITUATIONS

In special situations, additional documentation is required when you borrow money from your 401(k) account. If you request a loan to buy a home (with a term of 5–30 years), you will need to provide evidence that the loan will be used to purchase your primary residence. If you were a participant in the SSBA Thrift Incentive Plan on March 31, 1992, and you currently are married, you will need to provide a spousal consent form whenever you request a loan. In both of these cases, you may use *401(k) Plus Express* to initiate your request, but a loan will not be approved until the required documentation is received. These types of loans will not be considered to have been made, and will not count as a loan for purposes of determining the number of loans you have outstanding and have requested in the previous six-month period, until the loan and the request is approved.

WHEN YOU RECEIVE YOUR LOAN PROCEEDS

If you execute a loan through *401(k) Plus Express*, your check will be mailed within two business days after you execute the loan. A disclosure statement will be mailed the first business day after you execute the loan. Do not endorse the loan check or in any other way take possession of the loan proceeds until after you have received and reviewed the disclosure statement.

If you are a former SSBA participant or request a loan to purchase your primary residence and your loan is approved, your check will be mailed within two business days after your documentation is received and approved.

Withdrawals

Because of the favorable tax treatment allowed by the federal government on 401(k) plans, there are some restrictions on withdrawals. Your ability to make a withdrawal from your savings plan account depends on the kind of contributions being withdrawn. You can withdraw some contributions for any reason. Other withdrawals need to be for an emergency, and some must be for a "financial hardship" as defined by the government.

You can call *401(k) Plus Express* at 1-800-714-401k to find out the amount available to you for a withdrawal. However, you'll need to call the 401(k) Hotline at (302) 453-2061 to process your withdrawal.

WITHDRAWAL RULES

The following explanation provides the details about withdrawal rules. After reading through this section, see the chart on page 29 that summarizes these rules. Contributions (and their earnings) must be withdrawn in the order in which they are discussed on the following pages. (Also, see page 28.)

After-Tax Contributions

You may withdraw your after-tax contributions and earnings for any reason without penalty if:

- The contributions have not been matched; or
- The contributions were made at least 24 months before the withdrawal (whether or not they were matched).

You may be penalized if you withdraw your after-tax contributions that were matched by MBNA within the previous 24 months. If you do make such a withdrawal *for a non-emergency*, your contributions (both before-tax and after-tax) and the MBNA match will be suspended for six months. (The automatic 1% contribution will not be suspended.)

If your contributions have been suspended, you'll need to reenroll to start contributing again. Call *401(k) Plus Express* to reenroll. The system will let you know the date you'll be eligible to begin contributing to the plan again and will take your reenrollment information.

If you make a withdrawal of after-tax contributions matched by MBNA within the previous 24 months for a *necessary financial emergency*, the suspension penalty will not apply. A necessary financial emergency could be:

- The purchase or improvement of your primary residence;
- School expenses;
- Payment of unreimbursed medical and dental expenses;
- Payment of funeral expenses;
- The purchase or repair of an automobile you use to travel to work;
- The payment of legal expenses relating to certain legal proceedings;
- Adoption expenses;
- Travel related to a family emergency;
- Living expenses following loss of a spouse's income; or
- Payment of debts that would result in bankruptcy, eviction, or foreclosure on your home.

An application for a withdrawal based on a necessary financial emergency must be approved by the Plan Administrator as meeting the rules it has established under the savings plan.

If you withdraw after-tax contributions, the Internal Revenue Service (IRS) requires that some earnings on after-tax contributions also be withdrawn. All earnings on after-tax contributions are taxable in the year in which they are withdrawn. The earnings will be subject to 20% in withholding (described on page 32) and may also be subject to the 10% penalty tax imposed by the federal government if you're under age 59½. (See page 36 for more information about this tax.)

Rollover Contributions

Rollover contributions and earnings may be withdrawn for any reason after you have withdrawn all your after-tax contributions and earnings. The entire amount of this withdrawal will be subject to 20% in withholding (described on page 32) and may also be subject to the 10% penalty tax (described on page 36).

MBNA Matching Contributions

MBNA matching contributions and earnings may be withdrawn for any reason if:

- You have participated in the plan for at least five years; or
- You have reached age 59½; or
- The MBNA matching contributions you're withdrawing were made at least 24 months before the withdrawal.

If you have participated in the plan for less than five years and have not reached age 59½, you may withdraw MBNA matching contributions made within the past 24 months only for a necessary financial emergency (described on page 25).

Your withdrawal of MBNA matching contributions and earnings will be subject to 20% in withholding (described on page 32). This withdrawal may also be subject to the 10% penalty tax imposed by the federal government if you're under age 59½ (see page 36).

Before-Tax Contributions

Before-tax contributions may only be withdrawn after you reach age 59½ or in the event of a *financial hardship*, as defined by the federal government. A financial hardship could be:

- Unreimbursed medical expenses;
- The purchase of your primary residence;
- Tuition for postsecondary education and certain related expenses;
- The need to prevent loss of your home through eviction or foreclosure; or
- Funeral expenses for a family member.

Generally, you must have exhausted all other financial resources—including loans from the savings plan and other sources—before you can receive a hardship withdrawal. A hardship withdrawal cannot include any earnings after 1988 on your before-tax contributions. The Benefits department can provide more information if you need to take a hardship withdrawal.

An application for a withdrawal based upon financial hardship must be approved by the Plan Administrator as meeting the government rules set forth in the savings plan.

Your withdrawal of before-tax contributions and pre-1988 earnings will be subject to 20% in withholding (described on page 32). The only exception to this would be before-tax contributions that are withdrawn for a financial hardship. This withdrawal may also be subject to the 10% penalty tax imposed by the federal government if you're under age 59½ (described on page 36).

MBNA Automatic 1% Contributions

MBNA automatic 1% contributions and earnings are eligible for withdrawals only after you reach age 59½. MBNA is required to withhold 20% of your withdrawal (described on page 32).

GENERAL WITHDRAWAL PROVISIONS

You should also be aware of these withdrawal provisions:

- The minimum withdrawal amount is \$200.
- Before-tax contributions, rollover contributions, MBNA matching contributions, MBNA automatic 1% contributions, and earnings on *all* contributions are taxable in the year they're withdrawn. MBNA is required to withhold 20% of taxable withdrawals (described on page 32) and you will generally have to pay the 10% penalty tax imposed by the federal government if you are under age 59½ at the time of the withdrawal. Different rules apply to financial hardship withdrawals (described above).

- You're eligible to make up to two withdrawals in a calendar year. This restriction does not apply to hardship withdrawals of before-tax contributions.

ORDER OF WITHDRAWALS

If possible, it's a good idea to protect your savings by taking a loan instead of a withdrawal. However, the plan was designed to maximize your access to your account in case of an emergency. The easiest withdrawals to make are from your after-tax contributions. So your withdrawals come from your account in this order:

- Your after-tax account balance; then
- Your rollover account balance; then
- Your account balance of MBNA matching contributions; then
- Your before-tax contributions; then
- The MBNA automatic 1% contribution if you're at least age 59½.